Headquarters U.S. Air Force

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Project Financials Lessons Learned

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11 February 2004

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Overview

- Financing Issues
- Financing Goals
- Initial Challenges
- Conceptual Strategy
- Potential Next Steps

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Financing Issues

- High relative costs of private financing
  - Interest rates
- Narrow competitive field
- Lack of information and transparency
  - Fees and expenses
- Significant percentage of financing generated from Government Direct Loans
- Inflexibility of financing structures

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Financing Goals

- Control Direct Loan financing component
- Obtain lowest cost financing package
  - Enabling greater development scope
- Expand competition among financing firms
- Provide transparency in financing proposals
- Other Goals
- Foster developer / lender relationships
  - Reduce legal document revisions / negotiation

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Initial Challenges

- **Include Direct Loan Terms in RFP**
  - **Maximum Principal Amount**
  - **Interest Rates, Tiers and Amortization Periods**
- **Separate ‘Financing RFP’ not feasible due to**
  - **FAR concerns**
  - **Lack of project specific information to lenders**
  - **Conflict of interest for Air Force to select financing firm separate from developers**

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Conceptual Strategy

Drive competition through the current RFP Process

- **Obtain feedback on current Air Force transaction documents from private sector financing industry**
- **Consolidate common recommendations**
- **Modify generic RFP to include a competitive financing requirement**
  - **Three Financing Firms in Step Two**
  - **Incorporate “Firms of Interest” list**
  - **Identify Financing Firms that concur with Air Force legal documents**

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Potential Next Steps

- Revised generic RFP
- Devise fair and open method to list interested financing firms in the RFP
- 90-days to begin implementation
- Qualify and quantify - benefits and impacts

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Questions

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